

Verifier Guidance Update - Verification Methodology and Interpretation of Indicators

Dear Verifiers,

This document is intended to supplement the “C.A.F.E. Practices Generic Evaluation Guidelines” and the “Verifier and Inspector Operations Manual” which will be updated on a recurring basis to include guidance on evaluating specific criteria and indicators and provide detailed guidance on verification methodology.

Update Number 3.0–05/2009

1. Producer Support Organization (PSO) Management Tracking Systems

Verifying compliance with PS-MT1 indicators should be carried out using the approach outlined below. This approach recognizes that many smallholder farm supply chains depend on collection systems to deliver cherry and parchment coffee to wet and dry processors. Producer Support Organizations (PSOs) operating in this context should work with collectors to ensure that appropriate tracking systems are in place that document the source of C.A.F.E. Practices coffee.

Determining conformance with PSO indicators requires confirmation of documentation systems at the point of production (farm-level), at the point of collection (collector- and/or PSO level), and at the point of processing (mill-level).

A “system for tracking product” as described in PS-MT1.1 is defined as a paper trail that documents the volumes of coffee identified as coming from farms listed in the C.A.F.E. Practices application at each distinct point in the supply chain from production to milling.

PS-MT1- Management and Tracking Systems	PS-MT1.1	ZERO TOLERANCE: All supply chain entities have a system for tracking product from initial purchase through point of export
	PS-MT1.2	ZERO TOLERANCE: Organization has an annually updated list of producers participating in the C.A.F.E. Practices program
	PS-MT1.3	ZERO TOLERANCE: Each farm in the supply chain receives a receipt for coffee
	PS-MT1.4	Participating farmers are given a written agreement or identification card upon their commitment to comply with the C.A.F.E. Practices
	PS-MT1.5	Organization maintains farm inspection reports documenting status of compliance of each farm accompanied by a farm map and description

a. Guidance for PS-MT1.1-3:

Generally speaking, inspectors should review that maintenance of receipts or some other method of tracking purchases and sales of coffee from producers/processors listed in the C.A.F.E. Practices application is implemented at the different points in the supply chain. A review of these

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processes at different points (farm, collector/intermediary, wet mill, dry mill) in the supply chain will determine overall conformance with PS-MT1.1 and 1.3.

Maintenance of receipts at the farm-level greatly enhances the functioning of a tracking system, but if farmers request that these are maintained by community-level collectors, inspectors should note this in the evidence for PS-MT1.3 and evaluate compliance based on whether collectors allow farmers access to these receipts and whether collectors maintain accurate and complete records of purchases. **Some flexibility is allowed in the interpretation of PS-MT1.3 to recognize that farmers may prefer that receipts are maintained by collectors or the PSO. PS-MT1.3 is always to be treated as applicable and evaluated according to the guidance above.**

To ensure that a “system for tracking product [C.A.F.E. Practices coffee]” exists **at the point of production**, inspectors should confirm that the farms listed on the application and included in the sample for verification are in fact farms that are part of the supply chain as described in the supplier application. If an inspector and/or verifier discovers that farms listed in the application are not participating in the program, or that some entities listed in the supply chain are not actual farms but rather individual collectors without productive area, and this is a widespread issue, this would indicate that a system for tracking coffee from C.A.F.E. Practices farms is not present at the point of production. **Conformance with the presence of an annually updated list of producers participating in C.A.F.E. Practices (PS-MT1.2) is determined by the inspectors through confirmation that the producer list is accurate based on the above guidance note.**

To ensure that a “system for tracking product [C.A.F.E. Practices coffee]” exists **at the point of collection**, inspectors should confirm that collectors keep an accounting of what coffee is received from farmers participating in the program. This may be accomplished by maintaining complete records of purchases from farmers participating in the program, including farmer names or entity codes, dates of purchases, and quantities purchased. **Collectors should either maintain receipts or note purchases in a log book and these documents should be reviewed for accuracy and completeness during the field inspection.**

To ensure that a “system for tracking product [C.A.F.E. Practices coffee]” exists **at the point of processing**, inspectors should confirm that lots of incoming coffee from C.A.F.E. Practices farms are identified (e.g. through the use of ID tags and a register where lot IDs are recorded) and for wet mills that the corresponding output can be identified on the mill floor. **Verifiers should be able to confirm that the amount of coffee received by the mill (input) from C.A.F.E. Practices farms is documented.**

The systems for tracking product must be confirmed at each level: at the point of production, at the point of collection, and at the point of processing to evaluate PS-MT1.1 Comply.

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b. Guidance for PS-MT1.4-5:

Compliance with PS-MT 1.4 should be evaluated both through inspections of small farms included in the sample and during the PSO inspection. In some cases, PSOs may possess documentation for written agreements signed by groups of producers acknowledging their involvement in the C.A.F.E. Practices program, while in other cases PSOs may distribute individual identification cards or placards to place on premise of farms. **When evaluating PS-MT1.4, inspectors should confirm that there is some form of evidence indicating that producers participating in the program are informed and consent to this arrangement in accordance with the guidance above.**

Compliance with PS-MT1.5 should be evaluated during the PSO inspection. This indicator refers to “inspection reports” thus it should be evaluated as Not Applicable in the first year of participation in the program since no inspection reports would be available for review. **In the course of a re-verification of a supply chain, inspectors should observe that the PSO maintains past inspection reports on file. This indicator is always to be treated as applicable for any re-verification.** Verification reports should be maintained by the PSO for the last 2 years.

2. Guidance for SR-HP2

Verifier Guidance Update Number 1.0—8/31/2007 provided a discussion on the objective of SR-HP2.4-9 indicators. Based on continued review of verification reports, SCS confirmed that confusion still exists around the applicability of SR-HP2.4, 2.7 and 2.8.

SR-HP2: Freedom of Association / Collective Bargaining	SR-HP2.4	There is a workers' association formed and governed by the employees independent of management influence
	SR-HP2.5	There are regular meetings between management and employees or employees' association
	SR-HP2.6	Regular meetings between management and employees (or employees' association) continually improves working conditions
	SR-HP2.7	There is a workers' association fund to which management and workers contribute matching funds
	SR-HP2.8	Workers have equal access to association fund to finance projects that improve conditions for workers
	SR-HP2.9	A collective bargaining agreement exists between employees and employer in regions or countries where agricultural workers' organizations are established in the coffee sector

SR-HP2.4 is to be considered applicable when a farm or mill employs enough permanent and/or part-time employees to permit formation of an association under national law. Most national laws require that a certain number of employees must be employed before such an association is possible. Importantly, **it is not a requirement for a worker association to obtain an “official” legal status**, but as indicated in Verifier Guidance Update Number 1.0—8/31/2007, there must be some written evidence documenting the existence of the workers' association.

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SR-HP2.7 and 2.8 were previously to be treated as applicable even if SR-HP2.4 was evaluated as Not Comply. The indicators have been modified to make them conditional on the presence of a workers association and the evaluation of SR-HP2.4 as Comply. Producers and processors are still encouraged to set up funds for workers even if no association is formed, but for the sake of consistency SR-HP2.7 and 2.8 are always to be treated as Not Applicable if SR-HP2.4 is evaluated as Not Comply.

Below is a table intended to clarify the evaluation of SR-HP2.4, 2.7 and 2.8:

	SR-HP2.4	SR-HP2.7	SR-HP2.8
A workers association exists, but there is no fund	Comply	Not Comply	Not Applicable
There is an insufficient number of permanent and/or part-time employees to form an association or the law does not permit for a workers association	Not Applicable	Not Applicable	Not Applicable
There is a sufficient number of permanent and/or part-time employees to form an association, but no association exists	Not Comply	Not Applicable	Not Applicable
There is no workers association, but a workers fund exists to which workers have equal access	Not Comply	Not Applicable	Not Applicable

If a verifier or an inspector encounters a situation not covered in the table above, and are unclear as to how to evaluate SR-HP2.4, 2.7 and 2.8, they should contact SCS.

3. Updated Field Notes

SCS emailed updated field notes to verification organizations on February 15, 2009. The updates include changes to the coversheet information and a change to the exemptions for wet milling on small farms.

Verification organizations are permitted to continue using the old versions of the field notes for the remainder of this verification cycle. SCS will audit verification organizations against the use of updated field notes starting from the beginning of the next verification cycle for your region. Any new field notes printed during this verification cycle should be the updated versions.

4. Client Report Approval

As discussed in the Verifier and Inspector Operations Manual (see Section 6.8.2.2) verification organizations should submit draft reports to their clients **prior to submission of reports** to Starbucks in the VRS. Clients are to be given adequate time to review the reports, which should not exceed 10 business days except in cases of extremely large supply chains. It is important to note that the deadlines of 20 business days for vertically integrated supply chains and 30 business days for

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complex supply chains comprised of small and/or medium farms refers to the submission of reports to the client for review rather than the submission of reports to Starbucks.

If verifiers do not receive confirmation of report approval from clients after 10 business days, SCS should be notified via email so that the client can be contacted by Starbucks. **Reports should not be submitted to Starbucks without client approval unless verifiers are instructed to do by SCS.** If the client disputes indicator evaluations in their response to the request for report approval, SCS should be immediately notified via email to begin the process of working with the verifier to determine whether the dispute is valid (see discussion below).

Attached along with this VGU, verifiers will find the “Client Report Approval” form that should be sent as an attachment in the email with hyperlinks for draft reports. This form will serve as a record of client report approval, documenting any feedback from the client to the verifier. Verification organizations currently using client report approval forms that contain the necessary information may continue to do so. During yearly office audits, SCS will check that client report approval forms are consistently utilized by verification organizations for all fiscal year 2011 applications.

Once clients have confirmed approval of reports by submitting the “Client Report Approval” form, the reports’ status as finalized and submitted should be accepted by the verifier and the client should be sent the hyperlinks to the Final versions of the reports and then submitted to Starbucks.

5. Disputes and Appeals

In order to ensure consistent, transparent, and timely processing of appeals, the dispute resolution and appeal procedure is clarified in this guidance update. The “Verifier and Inspector Operations Manual” has also been revised to reflect the information contained in this update.

For the purposes of C.A.F.E. Practices, the following definitions for “appeals” and “disputes” will be utilized:

Appeal: A written request from a C.A.F.E. Practices producer or supplier for formal reconsideration of any evaluation made by a verification organization.

Dispute: An appeal that cannot be satisfactorily resolved by the verification organization or one that requires SCS resolution, such as in cases where interpretation of criteria is contested, where an appeal is submitted after reports are approved, or other exceptional cases.

a. **Appeals submitted during draft report review period:**

Verifiers are required to submit a draft C.A.F.E. Practices verification report to the client prior to submission to Starbucks for review and approval. Clients are to be provided with a “Client Report Approval Form” to be returned to the verification organization, indicating whether or not the supplier approves the reports.

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Scenario 1 - Report non-approval: clear errors (e.g. indicator evidence contradicts indicator evaluation) are present in the report.

Action to be taken: Verifiers should review the appeal, correct the report and submit a revised draft report to the client for approval.

Scenario 2 - Report non-approval: client is not in agreement with interpretation of indicators/criteria and/or auditing procedures and/or requests to submit additional evidence after field inspection.

Action to be taken: Verifiers should contact SCS to initiate a formal appeal and provide SCS with the following information using their appeal and dispute resolution form:

- Entity code(s) and name(s) for all entities involved in appeal
- Application code and name of supply chain
- Name of responsible verification organization and parties within verification organization responsible for application
- Name of client and personnel responsible for submitting appeal
- Date that field inspection(s) occurred
- Date reports submitted to client for review
- Date appeal received
- Indicator interpretation/criteria and indicators and/or procedure used by inspector/verifier/verifier organization that is (are) being appealed
- Written description of appeal with supporting evidence and/or documentation from the client/supplier applicant
- Relevant excerpts of evidence and justification provided in inspector’s report, results of internal review performed by verifier with responses to indicators/criteria/procedures under appeal

Once SCS has received the information listed above and determined that an appeal should be considered, the application will be marked by SCS as “in-dispute” in the VRS. SCS will have 10 business days to review the information provided by the verifier and the client and provide a response in writing to the verification organization, the client and Starbucks which clearly justifies the SCS decision and describes further actions (if any) to be taken by the verification organization. In the event that further time is required to provide a decision, SCS will notify all parties involved with the expected timeline for resolution.

b. Appeals submitted after draft report approval:

If a verification organization receives an appeal from their client after the draft report has been approved, or SCS is informed by Starbucks that a client is submitting an appeal, the following questions apply:

- Did the client receive draft versions of all reports for review and approval prior to submission of the reports to Starbucks?

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- Was the client given sufficient time to review the reports?
- Did the client confirm approval of the reports in writing prior to the reports being submitted?

If the answer to all of these questions is “yes” then the verification organization should inform the client that C.A.F.E. Practices verifications do not allow for appeal of evaluations after reports have been approved except in extenuating circumstances (see Section 6.2.8 of the “C.A.F.E. Practices Verifier and Inspector Operations Manual”).

If the client claims that extenuating circumstances do apply and is able to present this in writing with supporting evidence, the verification organization should provide SCS with the following information:

- Entity code(s) and name(s) for all entities involved in appeal
- Application code and name of supply chain
- Name of responsible verification organization and parties within verification organization responsible for application
- Name of client and personnel responsible for submitting appeal
- Date that field inspection(s) occurred
- Date reports submitted to client for review
- Date reports approved
- Person responsible for approval
- Date appeal received
- Indicator interpretation/criteria and indicators and/or procedure used by inspector/verifier/verification organization that is (are) being appealed
- Written description of appeal with supporting evidence and/or documentation from the client/supplier applicant
- Relevant excerpts of evidence and justification provided in inspector’s report, results of internal review performed by verifier with responses to indicators/criteria/procedures being appealed

Once SCS has received the information listed above and determined that an appeal should be considered, the application will be marked by SCS as “in-dispute” in the VRS. SCS will have 10 business days to review the information provided by the verifier and the client and provide a response in writing to the verification organization, the client and Starbucks which clearly justifies the SCS decision and describes further actions (if any) to be taken by the verification organization. In the event that further time is required to provide a decision, SCS will notify all parties involved with the expected timeline for resolution.

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